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GENERAL

1. Current Soviet-Iranian relations--US Embassy Moscow, in commenting on the recent decision by the Iranian Government to discontinue rebroadcasts of Voice of America and British Broadcasting Company programs, expresses the view that the USSR is receiving tangible reward for its cautiously correct policy toward Iran. Pointing out that the possibility cannot be excluded that Iran may have exacted some quid pro quo for dropping the US and British radio relays, the Embassy suggests that if so the Iranians may find this a counterbalance to US and UK resentment over the precipitous move. Characterizing recent Soviet propaganda about the Near East as designed to produce a mentality of "non-alignment," the Embassy predicts that the real success the USSR has scored in Iran may foreshadow analogous moves in other countries of the Near East. The Embassy points out that the recent Soviet trade agreement not only provides needed consumer goods for Iranians but also provides an export outlet for primary products of Iran, advantages which are perceptible to the individual Iranian, as opposed to the long-term benefits to be received from US capital investments. The Embassy suggests therefore that it is incumbent upon the US to develop a flexible mechanism for coping with these Soviet tactics.
2. Views on UK-Egyptian Suez base negotiations--US Ambassador Caffery in Cairo, in discussing the chances for success in British negotiations with Egypt for retention of the Suez base, expresses the belief that British influence in Egypt is at an all-time low while US prestige is higher than it has been for years. Caffery believes that in order to be of any use in helping the British retain Suez, the US must make the Egyptians believe that the US is furthering their long range interests, bolstering their sovereignty, and even soothing their national pride. Caffery estimates that, as their

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STATE review(s) completed.

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price for permitting the Western Powers to retain the Suez base, the Egyptians will now demand armaments, full equality in any Suez agreement, some sort of a security guarantee, and some concession on Palestine. In this connection, Caffery suggests that failure of the current British-Egyptian conversations in London might "set the clock back again" and possibly lead to serious disturbances.

EUROPE

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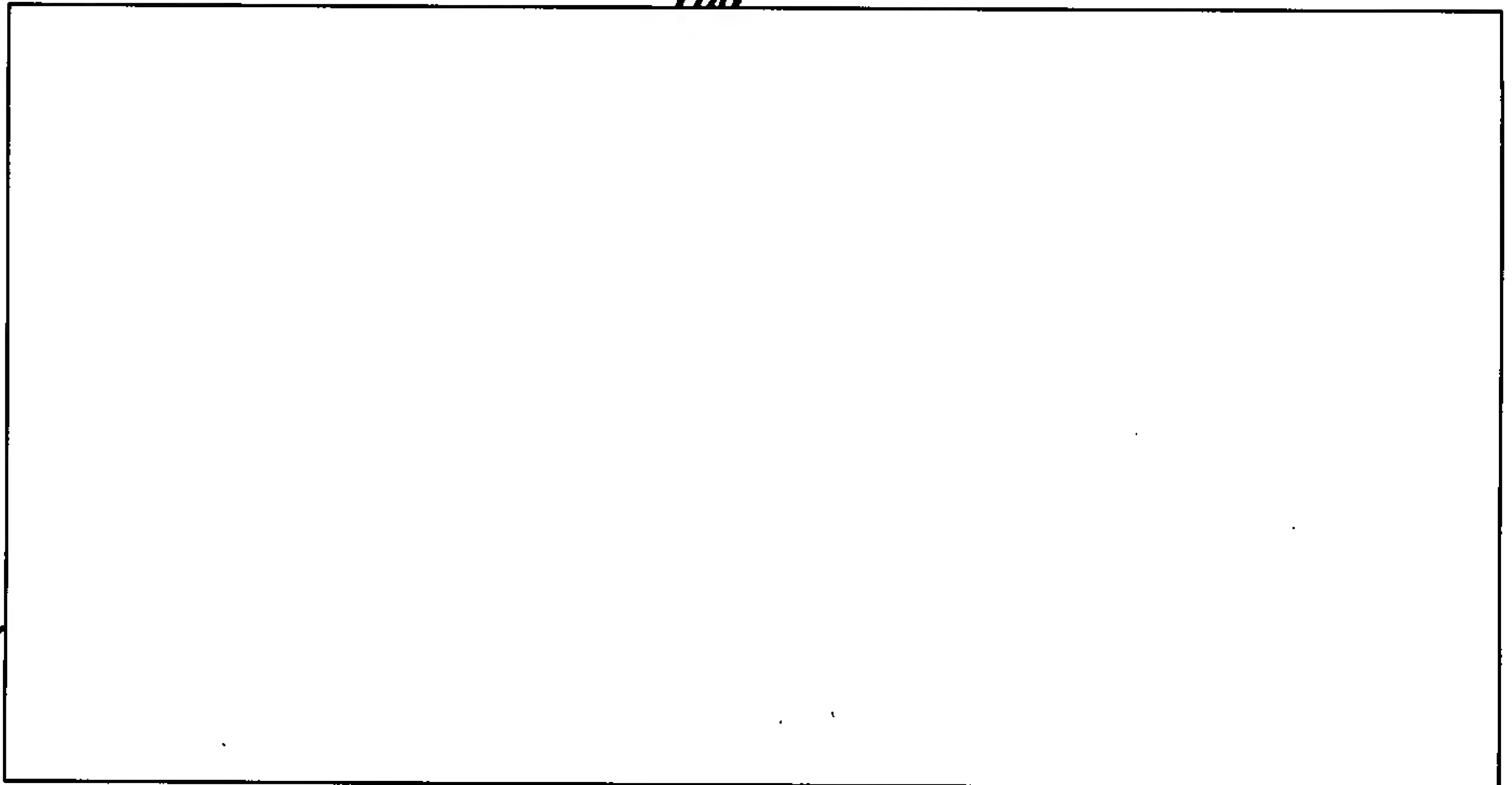
3. UNITED KINGDOM: Anxiety over conduct of foreign policy--
US Embassy London reports growing concern among all political parties with the British Government's conduct of its foreign and defense policies. The Embassy points out that there are no misgivings regarding the government's fundamental policy objectives and believes the principal causes of this concern are: (a) apprehension that the world may be drifting toward another war and the feeling that every reasonable avenue for avoiding war should be explored; (b) doubts regarding the economic repercussions of rearmament; and (c) desire to end dependence on the US and the "junior partner role" as soon as possible. In analyzing the effects of this growing concern, the Embassy concludes that the UK will not depart from agreed lines of basic foreign and defense policy and will not jeopardize joint US-British objectives. The Embassy anticipates, however, a greater tendency on the part of the UK to question more closely some US proposals for the attainment of common objectives, to put forward independent proposals, and to seek the role of "equal partner."

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5. KOREA: Chinese Communist offensive--According to US Ambassador Muccio in Seoul, local military circles believe the current enemy attack is of such power and intensity as to constitute a general offensive rather than a series of counterattacks as first presumed. Eighth Army intelligence indicates that the enemy now has 149,000 troops in the line, about 101,000 of them Chinese. The only report of enemy air activity over North Korea for more than twenty-four hours was the dropping of bombs near Pyongyang airfield.

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